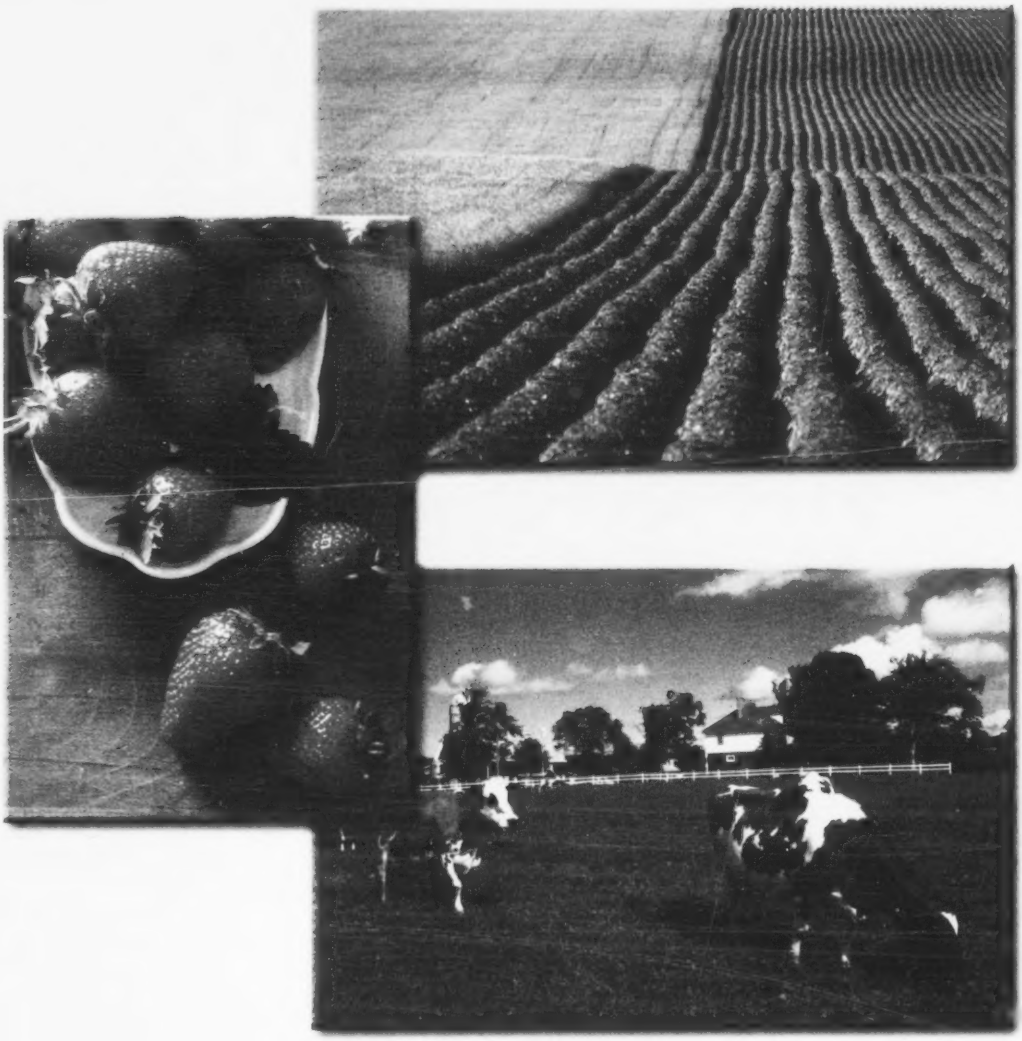
Prince Edward Island
CANADA

Agriculture Research
Investment Fund Inc.



Annual Report 2002~2003

Established by the
Prince Edward Island
Department of Agriculture and Forestry

104-05453/

Hon. Mitchell Murphy, Minister
P.E.I. Department of Agriculture and Forestry

To the Honourable Leonce Bernard
Lieutenant Governor of Prince Edward Island

Sir:

I have the honour to submit herewith the 2002 Annual Report of the Prince Edward Island Agricultural Research Investment Fund Inc.

I have the honour to be, Sir
Your obedient servant,

Mitch Murphy

Hon. Mitch Murphy, Minister
Agriculture and Forestry

Dr. Robert Morrison, Chairperson
Agricultural Research Investment Fund Inc.

The Honourable Mitch Murphy
Minister of Agriculture and Forestry
P.O. Box 2000
Charlottetown, P.E.I., C1A 7N8

Honourable Sir:

In accordance with the Prince Edward Island Agricultural Research Investment Fund Inc. Bylaws, I enclose the report of the Corporation for the fiscal year ended March 31, 2003.

This report also includes the Corporation's audited financial statements for this period.

Respectively submitted,

W Robert Morrison

Dr. Robert Morrison, Chairperson
Agricultural Research Investment Fund Inc.

BOARD OF DIRECTORS

Dr. Robert Morrison ..... Chairperson

Tim Ogilvie.....Vice-Chairperson

Joanne Driscoll.....Treasurer

Dannie MacKinnon.....Member

John MacQuarrie.....Member

Christiane Deslauriers.....Member

Gary Linkletter.....Member

ADMINISTRATION

Juanita Diamond/Brian Matheson.....Program Officer

Barb Poirier.....Recording Secretary

CHAIRMAN'S REPORT

I am pleased to submit the annual report highlighting the activities of the Prince Edward Island Agricultural Research Investment Fund (ARIF) Inc. for the 2002-2003 fiscal year.

The objectives of ARIF Inc. are to stimulate the planning and undertaking of short-term (normally 3 years or less) research by the private sector that has specific application to Prince Edward Island agriculture, to support research that has the potential to yield commercial and/or economic or environmental benefits to the agriculture industry (or an identifiable sector within agriculture), and to encourage the communication of research activities and results.

The Corporation was managed by a seven-member Board of Directors representing government, research agencies and industry. The Board met a total of four times during the 2002-2003 fiscal year.

There was continued interest and activity in the Fund. During the past year, eight proposals were reviewed by the Board. The majority of projects were from industry associations and organizations, some of which, had multiple funding partners. The five proposals approved were for an ARIF commitment of $193,171.

Project subject areas were diverse and included studies relating to potato seed production areas, beef finishing systems, pork quality, winter cereal production , and greenhouse strawberry production.

The Agricultural Research Investment Fund Inc. has made some policy changes in the past year with the development of an audit of commercialization payments policy, a restriction on the release of project results policy, and a requirement for the posting of final reports on the PEI Department of Agriculture and Forestry website.

The Corporation's 2002/2003 fiscal expenditure for approved projects was $160,396.

APPROVED PROJECTS 2002/2003

Feasibility of a Seed Potato Production Area in PEI

Applicant:	Prince Edward Island Potato Board Prince Edward Island Potato Quality Institute
Project Term:	1 year
Project Cost:	$28,050
Maximum ARIF Contribution:	$12,900

Potato viruses such as Potato Virus Y (PVY) and Potato Leafroll Virus (PLRV) are detrimental to the production of seed and tablestock potatoes. In recent years, Prince Edward Island has been experiencing a dramatic increases in Potato Virus Y and PLRV. Changes in production practices along with favourable environmental conditions have been useful in reducing the levels of PLRV in seed.

The purpose of this research project is to evaluate the possibility of establishing a production area within PEI that will provide growers with an environment where strategies are utilized to limit local virus spread, enabling the production of high quality seed potatoes with low levels of PVY.

Specifically this project will involve 1) the monitoring of aphid populations on the interface between a green border crop and fallow land and compare to populations in a green crop, 2) monitoring of aphid populations and incidence of PVY in crops sprayed with oil in a tank mix with fungicide and a crop will no application of oil, 3) monitoring of aphid populations and the development of winged aphids in cereal fields, 4) comparing the average inoculum planted within this production area to inoculum levels in other parts of the province and 5) evaluating the cost of physically removing volunteers early in the season.

The economic, environmental and consumer impact of beef finishing systems for PEI today and in the future

Applicant:	Prince Edward Island Cattlemen's Association
Project Term:	2 year
Project Cost:	$110,000
Maximum ARIF Contribution:	$60,000

The PEI beef finishing industry is an important economic generator in the region. Its success is due in part to low feed costs associated with the use of potato by-products. With changes in potato processing trends and an expanding beef finishing sector, it is important to evaluate alternative feeding strategies.

Results of previous research recently completed show that potatoes can be fed at up to 80% of the diet without detriment on animal performance, carcass characteristics or beef quality.

This project will compare production efficiencies, beef quality and meat quality of steers on various diets, evaluate the progressive replacement of potato waste with corn in the diet, assess the economics of potato-based feeding relative to other systems, evaluate the impact of feeding potato waste on environmental factors (manure production, storage utilization), and evaluate the impact of feeding potato waste on human health attributes of beef.

Evaluation of Dayneutral Strawberry Varieties for Winter Greenhouse Production

Applicant:	Schurman Farm Ltd.
Project Term:	1 year
Project Cost:	$21,685
Maximum ARIF Contribution:	$5,421

In Prince Edward Island locally produced fresh fruits and vegetables are available to consumers for only a short time frame in the summer months. In the off-season fresh produce is imported from more southern destinations which often has a profound impact on quality and price to the consumer. Dayneutral strawberries have been used to extend the traditional season of outdoor production, but local research on winter greenhouse production is scarce.

The objective of this project is to increase the knowledge base on winter strawberry production and investigate the feasibility of establishing a production facility. This production would be geared to meet local consumption thus replacing imports with an "Island Grown" product. In the current agriculture environment in PEI, this is seen to be a desirable step toward self-sufficiency. Although past research has shown that this production is possible, this project will examine the feasibility of available varieties for production on Prince Edward Island.

The Influence of Anti-Oxidants on Pork Quality

Applicant:	PEI Pork FOODTRUST of Prince Edward Island
Project Term:	2 year
Project Cost:	$145,100
Maximum ARIF Contribution:	$96,400

Over the past three years, Island pork producers have been pursuing various value adding opportunities aimed at further removing the influences of pork commodity cycles. As a result of this broad initiative, several branded products have been developed.

Based on research completed by the industry Swine Research Chair, a unique feeding regime results in a balanced fat profile in the pork that is healthier for consumers. This has been shown to be beneficial in managing cholesterol levels. Summerside Farms Pork Brand has been jointly developed by PEI Pork and FOODTRUST of Prince Edward Island on the basis of this work as well as other brand parameters.

The overall objective of this research is to further develop attributes for Summerside Farms Pork which will further differentiate this product from its competitors in the marketplace.

Winter Cereal Enhancement

Applicant:	Atlantic Grains Council Research Foundation
Project Term:	3 year
Project Cost:	$24,600
Maximum ARIF Contribution:	$18,450

The Atlantic Grain Council Research Foundation through a process of member consultations has determined that the potential for winter cereal production in the Atlantic region should be enhanced. Greater winter cereal production has the potential to enhance incomes while acting as a ground cover that can aid in the reduction of soil erosion and the retention of nutrients.

The objective of this project is to enhance the production of winter cereals in the Atlantic region by investigating the optimum range of planting dates, evaluating mechanical harvesting of winter cereals that are broadcast before potato crops are harvested and comparing the performance of fall rye production to winter wheat production.

COMPLETED PROJECTS:

The following projects were completed during the past year:

- *Extension and Storage of Stallion Sperm in a Non-Aqueous Extender (PEI Colt Stakes/University of Prince Edward Island*
- *Research Chair - Potato Physiology (PEI Department of Agriculture and Forestry/Nova Scotia Agricultural College)*
- *Evaluation and Optimization of Molecular Methods for the Detection of Viruses in Potato Leaves and Tubers (PEI Potato Quality Institute Inc.)*
- *To determine whether fungicide resistance to metalaxyl is developing in Phytophthora erythroseptica, the causal agent of pink rot in potatoes (PEI Department of Agriculture and Forestry)*
- *Quality and Performance Assessment of Processing Cauliflower and Broccoli Cultivars (Eastern PEI Growers Association)*
- *Development and Testing of Methods for Reducing the Milkhouse Wastewater from Dairy Farms (PEI Dairy Producers Association)*
- *Potatoes in Finishing Rations for Cattle (PEI Cattlemen's Association Inc./Hub Meat Packers)*

The following project was terminated:

- *Immunizing Potatoes Against the Late Blight Fungus (Phytophthora infestans) (PEI Department of Agriculture and Forestry)*

In summary, I wish to thank the Directors for their continued commitment to the Corporation and their efforts toward advances in applied and developmental research.

Respectively submitted,

W Robert Morrison

Dr. Robert Morrison, Chairperson
Agricultural Research Investment Fund Inc.

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PEI AGRICULTURAL RESEARCH INVESTMENT FUND INC.

FINANCIAL STATEMENTS

MARCH 31, 2003

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Board of Directors of the
PEI Agricultural Research Investment Fund Inc.

I have audited the balance sheet of the PEI Agricultural Research Investment Fund Inc. as at March 31, 2003 and the statements of revenues, expenditures and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
June 17, 2003

STATEMENT 1

PEI AGRICULTURAL RESEARCH INVESTMENT FUND INC.

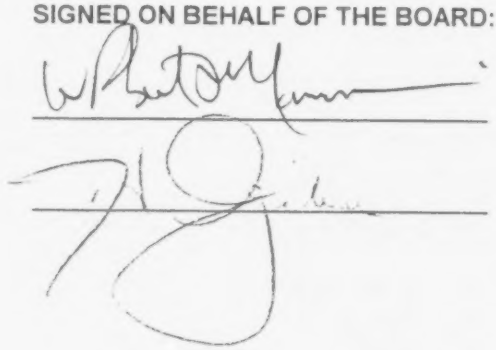
BALANCE SHEET

AS AT MARCH 31, 2003

	2003	2002
ASSETS		
Cash	$ 348,468	$ 931,593
Short-term deposits - Note 2	812,155	-
Accounts receivable		
- Province of Prince Edward Island	200,000	400,000
- General	82,768	119,661
	$1,443,391	$1,451,254
LIABILITY AND SHAREHOLDER'S EQUITY		
Accrued liability	$ 138,879	$ 217,127
Share capital - Note 4	100	100
Surplus - Statement 2	1,304,412	1,234,027
	$1,443,391	$1,451,254

(The accompanying notes are an integral part of these financial statements.)

SIGNED ON BEHALF OF THE BOARD:



STATEMENT 2

PEI AGRICULTURAL RESEARCH INVESTMENT FUND INC.

STATEMENT OF REVENUES, EXPENDITURES AND SURPLUS

FOR THE YEAR ENDED MARCH 31, 2003

	2003	2002
Revenues		
Provincial grant	$ 200,000	$ 400,000
Interest revenue	30,781	41,679
	230,781	441,679
Expenditures		
Administration	5,044	3,389
Research projects	155,352	365,044
	160,396	368,433
Net income for the year	70,385	73,246
Surplus, beginning of year	1,234,027	1,160,781
Surplus, end of year	$1,304,412	$1,234,027

(The accompanying notes are an integral part of these financial statements.)

STATEMENT 3

PEI AGRICULTURAL RESEARCH INVESTMENT FUND INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2003

	2003	2002
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from Province of PEI	$ 400,000	$600,000
Payments to projects	(198,577)	(518,977)
Payments for administration expenses	(2,539)	(3,389)
Interest received	30,146	41,780
NET INCREASE IN CASH AND CASH EQUIVALENTS	229,030	119,414
CASH AND CASH EQUIVALENTS - Note 6		
Balance, beginning of year	931,593	812,179
Balance, end of year	$1,160,623	$931,593

(The accompanying notes are an integral part of these financial statements.)

PEI AGRICULTURAL RESEARCH INVESTMENT FUND INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2003

1. Operations

The PEI Agricultural Research Investment Fund Inc. was incorporated on March 31, 1995 under Part 1 of the Companies Act. The main objective of the corporation is to provide funds for agricultural research in the Province.

2. Short-Term Deposits

Short-term deposits are valued at cost and include the principal and accrued interest.

3. Future Commitments

In addition to the accrued liability, the corporation has approved ten research projects providing for future commitments of:

April 1, 2003 to March 31, 2004	$236,728
April 1, 2004 to March 31, 2005	65,550
April 1, 2005 to March 31, 2006	48,400
	$350,678

4. Share Capital

The corporation has authorized 5,000 common shares with a $1 par value. As at March 31, 2003 there were 100 common shares issued and outstanding. The Government of Prince Edward Island, as represented by the Minister of Agriculture and Forestry, is the sole shareholder.

5. Provincial Administrative Expenses

Costs incurred by the Department of Agriculture and Forestry on behalf of the PEI Agricultural Research Investment Fund Inc. in administering this fund are not reflected in the financial statements. These costs include salary and related employee benefits, office accommodations, and miscellaneous administrative expenses.

6. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2003	2002
Cash	$ 348,468	$931,593
Short-term deposits	812,155	-
	$1,160,623	$931,593